

FORM

PAYMENT OBLIGATION SURETY BOND

KNOW ALL BY THESE PRESENTS, That we, The OZ Entertainment Company (as Principal), and the Insurance Company of the State of Pennsylvania (as Surety), are held and firmly bound unto The Kansas Department of Health and Environment (as Obligee) in the sum of Forty Five Million Dollars (\$45,000,000) for which payment, well and truly to be made, we bind ourselves, our heirs, executors, successors, and assigns, jointly and severally, firmly by these presents.

WHEREAS, Principal and Obligee have entered into a “Consent Order” dated _____, for the remediation of all environmental contamination at Sunflower, except that remediation contained in the Agreement between the Army and the Principal dated _____, and

WHEREAS, within Consent Order, Section XV, Principal agrees to incur expenses, which are credited in connection with the remediation of the Sunflower Army Ammunition Plant site, and

WHEREAS, pursuant to K.S.A.1999 Supp. 74-8922(c) as a condition precedent to taking title to property Principal must: (1) enter into Consent Order with Obligee and (2) must provide a prepaid third party guarantee to insure full and complete remediation, except for that remediation retained by the federal government, and

WHEREAS, this “Payment Obligation Surety Bond, per Section XX - Assurance of Ability to Complete Work, paragraph 128 of said Consent Order, is intended to satisfy this statutory obligation, and

NOW, THEREFORE, if Principal shall pay for or arrange for payment of up to Forty Five Million Dollars (US\$45,000,000.00) of the costs associated with remediation of site as defined within Consent Order and shall receive credit as to expenses incurred as defined within “Qualified Expenses” of said Consent Order and as allocated in Section XX thereof, then this obligation to be void, otherwise to remain in full force and effect.

SUBJECT, HOWEVER, TO THE EXPRESS FOLLOWING CONDITIONS:

- This bond inures to the benefit, exclusively, of the Kansas Department of Health and Environment based upon the requirements of K.S.A. 1999 Supp. 74-8922(c) and the underlying “Consent Order” entered into between the Principal and Obligee, specifically Section XX – Assurance of Ability to Complete Work, paragraph 128.
- This bond may not be assigned, or modified in any manner by either the Principal or Obligee without prior written consent of the Surety and the Obligee.
- In no event will the liability of the Surety exceed the penal amount of this bond.
- The penal amount of this bond shall be reduced equal to and at the time(s) Principal and/or Surety pays or causes to be paid expenses which are determined to be “Qualified Expenses” pursuant to the Consent Order, and which are allocated pursuant to Section XX - Assurance of Ability to Complete Work.
- The obligation under this bond pertains only to those parcels of land, at the “Sunflower Army Ammunition Plant”, to which the Consent Order applies or in the future applies, and to which the Principal has agreed to accept the transfer of title from Kansas PDC.
- In the event that the Irrevocable Trust is triggered, it shall become the Principal for the purpose of this bond.
- Upon receipt of the default notice from Obligee described in the contract between the Principal and the Contractor (as defined in the Consent Order), the Surety herein shall either: (1) make payment(s) to the Obligee for payment of Qualified Expenses or (2) complete the required remediation work as defined in the Consent Order through payment to the Principal’s remediation contractor, or successor contractor, of Qualified Expenses as defined in Section XV of the Consent Order; those payments made pursuant to (2) above shall be made only after receipt of affirmative written

approval by the Obligee that such payments will be made to the Principal's remediation contractor, or successor thereto, in the amount of the Qualified Expenses. KDHE shall have a period of up to five (5) business days following receipt of AIG's payment request to provide such affirmative written approval or disapproval that such payment is for Qualified Expenses to the remediation contractor, or successor thereto, and thereby appropriate for payment from the surety bond. Alternatively, if no written approval or disapproval is given by KDHE within the 5 business day time period, the request for approval shall be deemed to be denied as not meeting the criteria in (2) above. The payments made shall be subject to the penal amount of the bond less reductions through the credit of previously "Qualified Expenses" reductions. The Surety is liable for the cost of Qualified Expenses necessary to complete the required remediation work as defined in the Consent Order, until the Consent Order terminates as described in Section XXVIII, or until the Surety pays the penal sum stated above, whichever is less. Should the Surety make payment(s) on behalf of the Principal, Surety shall pay amount(s), subject to the maximum penal sum less Qualified Expenses paid to date, to _____ within such period of time from the date default notice is sent registered mail to the below address:

**American International Group
Surety Bond Department
70 Pine Street
New York, NY 10270**

such that the Work, as defined in the Consent Order, will continue uninterrupted per the General Implementation Schedule.

This obligation shall be in force until: (a) released in writing by the Obligee or (b) the remediation work called for within Consent Order Section XV is completed or (c) the Principal and/or Surety expend US\$45,000,000 of Qualified Expenses as defined in the Consent Order and allocated in Section XX thereof, in connection with the remediation work at the Sunflower Army Ammunition Plant site or (d) the Obligee accepts substitute security in lieu of this Bond.

Surety's obligation shall not be affected or modified by the occurrence of any or all of the following events, whether or not with notice or consent of the Surety:

a). Occurrence of any default by the Principal under the terms or provisions of the Consent Order; (b) voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshaling of assets or liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, assignment, compromise with creditors or readjustments of debts or other similar proceedings affecting principal or any of its assets or any allegation or contest, in any such proceeding, of the validity of this Bond or any other document.

As provided in Section XX, paragraph 128 of the Consent Order, this bond shall be allocated and payable in two parts, \$ 37,000,000 in Qualified Expenses incurred in performing the Remediation responsibilities of the Principal (as defined in the Consent Order), and the remaining \$ 8,000,000 for additional Qualified Expenses required to be incurred to complete the remediation to Performance Standards after the benefits and proceeds of the financial instruments described in paragraph 129 of the Consent Order are exhausted or otherwise unavailable and to the extent the Army is not obligated to remediate a portion of the Site to the applicable Performance Standard.

This bond is signed and sealed this _____ day of _____, 19 _____.

Principal: _____
(Seal)

By: _____

Surety: _____

By:

(Seal)

